



# Department of Justice

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## Overseas Shipholding Group Inc. Will Pay Largest-Ever Penalty for Concealing Vessel Pollution

### *Company Will Pay \$37 Million; Plead Guilty to Criminal Violations on a Dozen Ships*

BOSTON – Overseas Shipholding Group Inc. (OSG) has today agreed to plead guilty to 33 felony counts related to deliberate vessel pollution from nine ships and false pollution log entries in three additional ships, in six U.S. ports around the nation. OSG will pay a record \$37 million—the largest-ever criminal penalty involving deliberate vessel pollution—and plead guilty to charges related to illegal dumping of waste oil, criminal violations of the Clean Water Act/Oil Pollution Act and the Act to Prevent Pollution from Ships, conspiracy, false statements and obstruction of justice. This multi-district investigation was conducted in Boston, Mass.; Portland, Maine; Los Angeles.; San Francisco; Wilmington, N.C.; and Beaumont, Texas.

OSG is a U.S. corporation headquartered in New York and is one of the largest publicly traded tanker companies in the world. Today's prosecution involves violations that occurred on 12 oil tankers. The \$37 million penalty includes a \$27.8 million criminal fine which will be divided among the districts and a \$9.2 million organizational community service payment that will fund various marine environmental projects coast to coast. "OSG has engaged in repeated and deliberate pollution of our oceans," said Acting Associate Attorney General William Mercer. "What is more disturbing is that OSG's management failed to uncover or stop this illegal activity after allegations were brought to the attention of management on several occasions and again after the initiation of the government's investigation. This penalty has secured justice against OSG and will serve as a deterrent for all other companies who attempt to circumvent the law for their own financial gain and at the expense of the environment."

"The Coast Guard takes its obligation as a steward of the marine environment very seriously," said Rear Adm. Tim Sullivan. "We are committed to achieving our ultimate goal—industry-wide compliance with international and domestic pollution prevention rules. The case demonstrates that scofflaws within maritime industry can no longer treat intentional discharging of oil and the penalties associated with those acts as a 'cost of doing business.' Instead, the industry must embrace a culture of compliance. Effective, transparent partnerships between industry and our regulators are vital to allow the international pollution prevention system to work as designed. Failure by industry to meet this challenge of change will only result in further investigations, prosecutions and expense to all."

In addition to the plea agreement, a detailed joint statement of facts was filed today in court, in which OSG has admitted that the following information is accurate:

\*OSG made illegal releases of oily waste from approximately August 2001 to October 2003 from the M/T Uranus into waters off the coast of New England, in close proximity to Maine and Massachusetts, including the island of Nantucket. Discharges were made from the M/T Uranus through a long flexible hose trailed overboard at night, then through a hard bypass pipe that the ship's Fitter was forced to make, and at a later point in time, by flushing an oil detecting sensor with fresh water.

\*OSG is responsible for dumping overboard sludge (concentrated black waste oil) at night from three ships. In the case of the M/T Overseas Shirley, the ship's 1st Engineer wrote a letter to OSG senior management alleging the "habitual criminal of sludge discharge to sea" and estimated that approximately 40,600 gallons of sludge had been intentionally dumped overboard through a bypass hose. OSG discounted the allegations at the time, but they were corroborated by the government's investigation.

\*OSG violated the Clean Water Act by discharging approximately 2,640 gallons of oily waste and sludge from the M/T Neptune off the coast of North Carolina. OSG concluded no oil had been discharged at the time notwithstanding receipt of a "Private and Confidential" memo (initialed by three senior company managers,) from an outside auditor who told the company that he had observed oil leaking from a bypass hose and believed that the discharge was not an isolated event. \*OSG made illegal discharges of oily waste in 2004-2005 from the M/T Pacific Ruby in U.S. waters in the Gulf of Mexico. Crew members contacted the Coast Guard alleging that the Chief Engineer had tricked pollution control equipment while making overboard discharges.

\*OSG concealed deliberate and illegal discharges by deliberately falsifying official ship records, including the Oil Record Book, making discharges at night, and by hiding bypass equipment during U.S. port calls so that the Coast Guard would not discover the criminal activity.

\*Numerous OSG crew members, including chief engineers, engaged in conspiracies to commit illegal pollution and falsify ship records while certain lower level crew members knowingly participated because they were explicitly or implicitly threatened by superiors with loss of employment if they refused.

\*Shore-side management failed to provide and exercise sufficient supervision and management controls to prevent or detect criminal violations by its employees.

\*A motive for the crimes was financial—OSG was saving the cost of offloading waste oil in port and the time it would take to comply with the law.

Criminal violations continued on some ships during the three years in which OSG was under investigation. On six vessels (M/T Ania, M/T Cabo Hellas, M/T Cleliamar, M/T Overseas Portland, M/T Vega, M/T Pacific Sapphire), OSG self-reported violations which prosecutors credited by imposing fewer charges and reduced criminal fines. OSG also implemented new technology on its ships designed to prevent illegal pollution. According to papers filed in court, prosecutors did not seek even higher penalties on account of OSG's cooperation during the investigation and because of compliance measures taken before and during the investigation and those promised as part of a plea agreement with prosecutors.

Per the terms of the plea agreement, OSG is also subject to a three-year term of probation during which it must implement and follow a stringent environmental compliance program that includes a court-appointed monitor and outside independent auditing of OSG ships trading worldwide.

The government's investigation was initiated after the Coast Guard in Boston received a referral from the Marine Safety Branch of Transport Canada, indicating that records for the M/T Uranus showed that bilge waste was being disposed while the official Oil Record Book failed to account for the disposal of waste. It was determined that these illegal discharges occurred within U.S. waters off-the-coast of Maine and Massachusetts. During this time, crew members discharged approximately 150,000 gallons of oil-contaminated waste while "tricking" the Oil Content Meter designed to detect and prevent discharges containing more than 15 parts per million oil, the international limit established by the MARPOL Protocol, an international treaty implemented by the Act to Prevent Pollution from Ships.

The government's investigation grew to include evidence of deliberate violations of the MARPOL Protocol and U.S. law by the following 12 oil tankers: M/T Ania, M/T Cabo Hellas, M/T Neptune, M/T Overseas Alcesmar, M/T Overseas Cleliamar, M/T Overseas Shirley, M/T Overseas Portland, M/T Pacific Sapphire, M/T Pacific Ruby, M/T Rebecca, M/T Uranus, and M/T Vega.

Today's prosecution was made possible through the combined efforts of the U.S. Coast Guard units in

each port, the Coast Guard Investigative Service, Coast Guard Office of Maritime and International Law, Coast Guard Office of Investigations and Analysis, and Environmental Protection Agency Criminal Investigations Division. The case was prosecuted by the Environmental Crimes Section of the U.S. Department of Justice and the U.S. Attorney's Offices in the affected districts.

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